

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH**

ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

**Basic Financial Statements
With Required Supplemental Information
And Independent Auditor's Reports**

As of and for the Year Ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-29-05



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**SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the year ended December 31, 2004

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**SUNSET DRAINAGE DISTRICT OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

Basic Financial Statements
With Supplemental Information Schedules
and Independent Auditor's Report

As of and for the year ended December 31, 2004

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Independent Auditor's Report

To the Board of Commissioners
Sunset Drainage District
Of St. Charles Parish
St. Charles Council
Paradis, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Sunset Drainage District of St. Charles Parish as of and for the year ended December 31, 2004, which collectively comprise the Sunset Drainage District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sunset Drainage District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

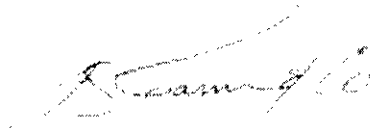
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Sunset Drainage District as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005, on our consideration of Sunset Drainage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Sunset Drainage District's basic financial statements. The management's discussion and analysis and budgetary comparison

schedules listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. All of this accompanying supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



Thibodaux, Louisiana
April 29, 2005

Required Supplemental Information
(Part 1 of 2)

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**

Paradis, Louisiana

**Management's Discussion and Analysis
For the year ended December 31, 2004**

Our discussion and analysis of the Sunset Drainage District of St. Charles Parish's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2004.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 8 and 9 provides information about the financial activities of the District and illustrate a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide sections of the statements by providing information about the District's significant funds.

THE DISTRICT AS A WHOLE USING GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements present financial information for all activities of the District from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities.

GOVERNMENTAL ACTIVITIES

The District uses funds to help control and manage money for particular purposes. At the completion of the year, the District's governmental fund reported a fund balance of \$248,030. This reflects a decrease of \$69,990 from last year.

The District's total revenues for the year were \$313,614. This amount is 4.3% higher than last year's revenue. This was primarily attributable to the District receiving \$18,450 more of revenue from oil royalties and \$7,107 less of interest revenue. The total expenditures were \$383,604 which include \$10,593 in capital asset purchases.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2004

ANALYSIS OF THE DISTRICT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following amounts reflect condensed information on the District's net assets:

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Assets			
Current assets	\$ 256,990	\$ 326,590	\$ (69,600)
Capital assets, net of depreciation	<u>452,519</u>	<u>489,956</u>	<u>(37,437)</u>
Total assets	<u>709,509</u>	<u>816,546</u>	<u>(107,037)</u>
Liabilities			
Current liabilities	8,960	8,569	391
Long-term liabilities	<u>13,027</u>	<u>9,935</u>	<u>3,092</u>
Total liabilities	<u>21,987</u>	<u>18,504</u>	<u>3,483</u>
Net Assets			
Investment in capital assets, net of depr	452,519	489,956	(37,437)
Unrestricted	<u>235,003</u>	<u>308,086</u>	<u>(73,083)</u>
Total net assets	<u>\$ 687,522</u>	<u>\$ 798,042</u>	<u>\$ (110,520)</u>

- Current assets for the year decreased by \$69,600 or 21%. This was primarily due to a decrease in cash for the year of \$71,255.
- At the end of the year, the District had capital assets, net of accumulated depreciation in the amount of \$452,519. This was made up of \$1,809,823 in capital assets and \$1,357,304 in accumulated depreciation. The District purchased or received donations of \$10,593 in capital assets during 2004.
- Total liabilities at the end of the year were \$21,987. This amount was \$3,483 or 19% higher than at the end of 2003. This was attributable to an increase in compensated absences payable.
- Based upon the operation of 2004, the District's net assets decreased by \$110,520 and resulted in ending net assets of \$687,522.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2004

The following table illustrates the revenues and expenses that produced the decrease in net assets for the fiscal year.

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Revenue			
Total revenue	\$ 313,614	\$ 300,572	\$ 13,042
Expenses			
Total expenses	<u>424,134</u>	<u>404,234</u>	<u>19,900</u>
Change in net assets	(110,520)	(103,662)	(6,858)
Net assets, beginning of the year	<u>798,042</u>	<u>901,704</u>	<u>(103,662)</u>
Net assets, end of the year	<u>\$ 687,522</u>	<u>\$ 798,042</u>	<u>\$ (110,520)</u>

- Total revenue for the year was \$313,614. This amount was \$13,042 or 4% higher than last year. This was primarily attributable to the District receiving \$18,450 more of revenue from oil royalties and \$7,107 less of interest revenue.
- Total expenses for the year were \$424,134. This amount was \$19,900 or 5% higher than last year. This was primarily due to an increase in legal fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was amended in December 2004 to bring it more into line with the actual activity.

The actual revenues were less than budgeted amounts for the fiscal year, while the actual expenditures were more than the budgeted amounts for the fiscal year. A comparison schedule can be found on page 27.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. L.J. Frickey, Secretary/Treasurer, 152 Bayou Estates Drive, Des Allemands, Louisiana 70030.

CLOSING COMMENTS

The District continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in providing drainage to all our citizens.

Government-Wide Financial Statements

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement of Net Assets
December 31, 2004**

	<u>Governmental Activites</u>
ASSETS	
Current assets	
Cash	\$ 77,450
Receivable from US Treasury	2,005
Maintenance taxes receivable	174,970
Royalties receivable	<u>2,565</u>
Total current assets	<u>256,990</u>
Fixed Assets	
Capital assets, net	<u>452,519</u>
Total fixed assets	<u>452,519</u>
Total assets	<u><u>709,509</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	1,107
Payroll withholdings payable	<u>7,853</u>
Total current liabilities	<u>8,960</u>
Long-term liabilities	
Compensated absences payable	<u>13,027</u>
Total long-term liabilities	<u>13,027</u>
Total liabilities	<u><u>21,987</u></u>
NET ASSETS	
Investment in capital assets, net of related debt	452,519
Unrestricted	<u>235,003</u>
Total net assets	<u><u>\$ 687,522</u></u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2004**

	General Government
Expenses	
Advertising	\$ 80
Contract labor	14,472
Equipment repair	30,561
Fuel	11,995
Insurance	28,108
Legal & accounting	78,955
Maintenance tax expenditures	35,232
Material & supplies	13,122
Miscellaneous	1,855
Office supplies	480
Per diem	3,900
Salaries	122,446
Secretary/Treasurer	3,000
Taxes - payroll	10,616
SIMPLE expense	3,623
Employee health ins expense	11,869
Telephone	2,671
Utilities	3,119
Depreciation expense	48,030
Total expenses	424,134
General Revenues	
Maintenance taxes	210,303
St. Charles Parish Council grant	77,582
Oil & gas royalties & leases	23,116
Interest	896
Donations	1,500
Other	217
Total general revenues	313,614
Change in net assets	(110,520)
Net assets:	
Beginning of the year	798,042
End of the year	\$ 687,522

The accompanying notes are an integral part of this statement.

Fund Financial Statements

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Balance Sheet - Governmental Fund
December 31, 2004**

	<u>General Fund</u>
ASSETS	
Cash	\$ 77,450
Receivable from US Treasury	2,005
Maintenance taxes receivable	174,970
Royalties receivable	<u>2,565</u>
Total assets	<u>256,990</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	1,107
Payroll withholdings payable	<u>7,853</u>
Total liabilities	<u>8,960</u>
Fund balances:	
Fund balance - unreserved	<u>248,030</u>
Total fund balance	<u>248,030</u>
Total liabilities and fund balance	<u><u>\$ 256,990</u></u>

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2004**

	General Fund
Revenues	
Taxes:	
Maintenance taxes	\$ 210,303
Other:	
St. Charles Parish Council grant	77,582
Oil & gas royalties & leases	23,116
Interest	896
Donations	1,500
Other	217
Total revenues	313,614
Expenditures	
Current:	
Advertising	80
Contract labor	14,472
Equipment repair	30,561
Fuel	11,995
Insurance	28,108
Legal & accounting	78,955
Maintenance tax expenditures	35,232
Material & supplies	13,122
Miscellaneous	1,855
Office supplies	480
Per diem	3,900
Salaries	119,573
Secretary/Treasurer	3,000
Taxes - payroll	10,396
SIMPLE expense	3,623
Employee health ins expense	11,869
Telephone	2,671
Utilities	3,119
Capital Outlay:	
Purchases of equipment	10,593
Total expenditures	383,604
Net change in fund balances	(69,990)
Beginning of the year	318,020
End of the year	\$ 248,030

The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
December 31, 2004**

Total Fund Balances - Governmental Funds	\$ 248,030
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	452,519
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Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet. All liabilities both current and
long-term are reported in the Statement of Net Assets.

Compensated absences payable	<u>(13,027)</u>
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Total Net Assets - Governmental activities	<u><u>\$ 687,522</u></u>
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The accompanying notes are an integral part of this statement.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2004**

Net Change in Fund Balances - Governmental Funds	\$ (69,990)
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital assets purchased	10,593	
Depreciation expense	<u>(48,030)</u>	(37,437)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Increase in compensated absences liability	<u>3,093</u>	<u>(3,093)</u>
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Change in Net Assets - Governmental activities	<u>\$ (110,520)</u>
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The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

INTRODUCTION

The Sunset Drainage District of St. Charles Parish was established May 16, 1924. It is controlled by a five member board of commissioners appointed by the St. Charles Parish Council. Sunset Drainage District funds are dedicated to operating and maintaining drainage facilities within the district boundaries. Financing is provided primarily by a grant from the St. Charles Parish Council, maintenance taxes, mineral royalties, and interest on investments. At year end the board employed three employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying general purpose financial statements of the Sunset Drainage District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity

As the governing authority of the parish, for reporting purposes, the St. Charles Parish Council is the financial reporting entity for St. Charles Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is classified as a component unit of St. Charles Parish because the parish council appoints the organizations governing body and because there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide accounting

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and a Statement of Activities for the District as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods and services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities, these are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net assets.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide accounting (continued)

Under the requirements of GASB Statement No. 34, the District is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. However, the District does not have these types of capital assets.

Program Revenues

The Statement of Activities presents two categories of program revenues — (1) charges for services; and (2) operating grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the District. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use. The District does not have any revenue from charges for services.

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the District has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues. The District does not have any proprietary funds.

Restricted Net Assets

Restricted net assets are those for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

D. Fund Accounting

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for all of the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the District and accounts for all financial resources. It is the District's only governmental fund.

E. Basis of Accounting / Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by the *type of financial statement presentation*.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

This same measurement focus and basis of accounting is used by proprietary funds in the *fund statements*. However, all governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. The District does not have any business-type activities.

F. Budgets

The District adopted a budget for the General Fund for the year ended December 31, 2004 as required by Louisiana Revised Statutes 39:1303-1305. Budget integration was employed as a management control device during the year. Unexpended appropriations

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets (continued)

lapse at year end, and must be reappropriated in the next year's budget to be expended. The board of commissions reserves all authority to make changes to the budget. The budget is prepared on the cash basis which is not GAAP basis.

Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments (if any). The district did not budget beginning or ending fund balance for the calendar year ended December 31, 2004.

G. Encumbrances

The District does not use encumbrance accounting.

H. Cash and cash equivalents, and investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, and time deposits. Investments include amounts in obligations of the United States of America. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

I. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	30 years
Equipment	5 – 15 years
Office furniture	5 – 7 years
Vehicles	5 – 15 years

In June of 1999, the Governmental Accounting Standards Board issued Statement No. 34 that requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. All assets of the District are reported in the accompanying financial statements. The District owns no infrastructure.

L. Compensated absences

The District has the following policy relating to vacation and sick leave:

Employees of the District earn from 5 to 15 days of vacation leave each year, depending on their length of service. Employees earn 6 days of sick leave each year, depending on their length of service. Sick leave may be accumulated to a maximum of 30 days. Upon retirement or death, unused accumulated vacation is paid to the employee or to the employee's estate at the employee's current rate of pay.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated absences (continued)

In accordance with GASB Statement No. 16, the cost of vacation and sick leave is accrued only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The costs of vacation privileges are recorded in long-term liabilities section of the Statement of Net Assets.

M. Net Assets/Fund Balances

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 2. LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the Parish of St. Charles in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

The Sunset Drainage District of St. Charles Parish is authorized under L.S.A. R.S. 38:1674.14 to levy an annual acreage tax in an amount not to exceed \$20.00 per acre on each acre of land within the boundaries of the district for the purpose of improving, operating and maintaining drainage facilities. For the year ending December 31, 2004 the district levied an acreage tax of \$20.00 per acre of land. The tax roll is prepared by the Assessor's office. The taxes are collected and remitted by the Tax Collector. Maintenance taxes are recorded at the total amount assessed plus prior year taxes collected during the current year. Prior to remitting the taxes, the Tax Collector deducts an amount for the Assessor's office pension fund and deducts 14% commission on collected taxes charged by the Tax Collector. In 2004, the expenditure for the pension fund was \$5,804 and the 14% commission was \$29,428. These expenditures are reported as Maintenance Tax Expenditures in the general fund.

The district records as a receivable the total maintenance taxes assessed for the year less charges for the pension fund and commission. An Allowance for Doubtful Accounts is not recorded by the district because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

The total taxable acreage for 2004 was 10,510.14 acres.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 2. LEVIED TAXES (continued)

The following are the principal taxpayers for the district:

<u>Taxpayer</u>	<u>Total Acreage Assessed</u>	<u>Total Tax Assessed</u>	<u>Percentage of Total Acreage Assessed</u>
Texaco, Inc.	8,308	\$ 166,156	79.05%
Rivet, Huey J.	286	5,712	2.72%
Sumners, Margaret D., et als	272	5,443	2.59%
Lemmon, Mary Ann Vial, et als	140	2,800	1.33%
Sumners, Alvie C., Jr.	129	2,590	1.23%
Rivet, Huey Joseph	115	2,300	1.09%
Sumners, Elizabeth K., et als	102	2,034	0.97%
Rivet, Huey Joseph	47	933	0.44%
Riviere, Lula Matherne	41	814	0.39%
Oceanic Fleet, Inc.	40	795	0.38%
	<u>9,479</u>	<u>\$ 189,577</u>	<u>90.19%</u>

NOTE 3. GRANT

The St. Charles Parish Council subsidizes the operations of the district in the amount of \$77,582 for the fiscal year 2004. The Sunset Drainage District agrees to adequately maintain the drainage system within the boundaries of the district to protect the lives and property of the citizens residing within the district.

NOTE 4. DONATIONS

During the year, St. Charles Parish donated a used dump truck to the District. The dump truck was recorded as a fixed asset at its estimated fair market value on the date of donation. This resulted in the District having donations revenue in the amount of \$1,500.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 5. CASH AND CASH EQUIVALENTS

At December 31, 2004, the district has cash and cash equivalents (book balance) totaling \$ 148,690 as follows:

Interest-bearing demand deposits	\$ 76,375
LAMP-money market	1,075
Total	<u>\$ 77,450</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the district has \$78,480 in deposits (collected bank balance) at First American Bank. These deposits are secured from risk by \$100,000 of FDIC insurance (GASB category 1) and by \$529,143 (GASB category 2) of pledged securities. At December 31, 2004, the district has \$1,075 in deposits (collected bank balance) at Louisiana Asset Management Pool (GASB category 1).

NOTE 6. RECEIVABLES

The following is a summary of receivables at December 31, 2004:

Class of Receivable	Amount
Receivable from US Treasury	\$ 2,005
Maintenance taxes	174,970
Royalties receivable	2,565
Total	<u>\$ 179,540</u>

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 7. CHANGES IN GENERAL FIXED

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance at 12/31/2003	Additions	Deletions	Balance at 12/31/2004
Capital assets not being depreciated:				
Land	\$ 251,728	\$ -	\$ -	\$ 251,728
Total capital assets not being depreciated	251,728	-	-	251,728
Capital assets being depreciated:				
Equipment	624,123	10,593	-	634,716
Buildings	29,800	-	-	29,800
Real Estate improvements	893,579	-	-	893,579
Total capital assets being depreciated	1,547,502	10,593	-	1,558,095
Less: accumulated depreciation	(1,309,274)	(48,030)	-	(1,357,304)
Total capital assets being depreciated, net	238,228	(37,437)	-	200,791
Total capital assets, net	\$ 489,956	\$ (37,437)	\$ -	\$ 452,519

NOTE 8. PENSION PLAN

A. Social Security

All employees of the Sunset Drainage District contribute to the Department of the Treasury, Division of Social Security. Contributions to the system are made by both the employees and the District as a percentage of salaries. For the year ended December 31, 2004, the District contributed \$7,899 to the system as its share of the contributions. The District should have contributed \$9,160 (7.65% of salaries). Therefore, for the year 2004, there is additional \$1,261 that is included in payroll liabilities. Other than the annual contributions required by the system and recorded as expenditures annually, Sunset Drainage District does not guarantee any of the benefits granted by the retirement system.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 8. PENSION PLAN (continued)

B. SIMPLE Plan

Plan Description: In May of 2001, Sunset Drainage District began to offer a Savings Incentive Match Plan (SIMPLE) plan for its employees. This plan is being managed by Oppenheimer Funds. To be eligible to participate, employees must have at least two years of service during which they have earned \$5,000 and expect to earn \$5,000 during the current year. All of the employees of Sunset Drainage District are eligible and do participate in this SIMPLE plan. Withdrawals made by employees before attaining age fifty-nine and one-half years old and within two years from the date of joining the plan may be subject to a 25% premature withdrawal penalty tax. After two years of participation, a 10% early withdrawal penalty tax may be imposed on these employees. Distributions must start no later than April 1 of the year after the year that the individual reaches seventy and one-half years old.

Funding Policy: The plan is funded by both the employee and employer. The employee determines the amount or portion of their income that he or she wants to contribute to the plan. This "contribution" is made on a pre-tax basis, thereby reducing the amount of employee's income that is subject to federal taxation. Employees are allowed to put up to 100% of their income with a maximum contribution of \$9,000 a year. The employee has a choice of various funds that he or she may put his or her money into. The rate of return on these funds varies with each fund. The employer's portion of the funding is done by way of a match. The employer matches the employee's contribution dollar for dollar, up to 3% of each individual's compensation to a maximum of \$8,000 per year. This amount can be reduced to a minimum of 1% for any two years out of a five-year period. For the year ending December 31, 2004, the amount of the employee's portion of the funding is \$16,440. The amount of the employer's portion of the funding is \$3,623.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

The District provides no other postretirement benefits.

NOTE 10. LEASES

The District had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

NOTE 11. COMPENSATED ABSENCES

At December 31, 2004, employees of the District have accumulated and vested \$13,027 of employee leave benefits, computed in accordance with GASB Codification Section C60. This amount is recorded in the long-term liabilities section of the Statement of Net Assets.

NOTE 12. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

Compensated absences payable, at January 1, 2004	\$ 9,935
Additions	9,670
Retirements	<u>(6,577)</u>
Compensated absences payable, at December 31, 2004	<u>\$ 13,027</u>

NOTE 13. LITIGATION AND CLAIMS

At December 31, 2004, the Sunset Drainage District was in a claim - Clarence Breaux vs. The Sunset Drainage District, et al. This suit involves an alleged financial loss resulting from the District putting trees in Clarence Breaux's crawfish pond. The case is currently set for trial on November 15, 2005.

During the year, the Sunset Drainage District received a judgment in its favor in the suit - Board of Commissioners for the Sunset Drainage District of St. Charles Parish vs. Huey J. Rivet et al. The District was suing to resolve a dispute over title to 285.60 acres of land acquired by the District through a tax sale in 1921. The judgment declared that the Board of Commissioners for the Sunset Drainage District is the owner of the 285.60 acres of land. The defendants have filed an appeal in the Louisiana 5th Circuit Court of Appeals. The hearing date has yet to be set.

Required Supplemental Information
(Part 2 of 2)

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual (Non-GAAP Basis)
For the Year ended December 31, 2004**

	Original Budget	Budget	Actual	Variance - with Final Budget Positive (Negative)
Revenues				
Taxes:				
Maintenance taxes	\$ 174,000	\$ 174,797	\$ 174,797	\$ -
Other:				
St. Charles Parish Council	-	-	77,582	77,582
Oil & gas royalties & leases	20,000	21,748	21,748	-
Interest	7,000	854	883	29
Donations	-	-	1,500	1,500
Other	2,000	79,644	217	(79,427)
Total revenues	\$ 203,000	\$ 277,043	\$ 276,727	\$ (316)
Expenditures				
Current:				
Advertising	\$ 500	\$ 79	\$ 80	\$ (1)
Contract labor	25,000	14,472	14,472	-
Equipment repair	30,000	38,766	32,611	6,155
Fuel	30,000	11,995	11,995	-
Insurance	25,000	41,786	39,977	1,809
Legal & accounting	20,000	80,314	80,304	10
Material & supplies	15,000	12,990	12,988	2
Miscellaneous	3,000	140	1,855	(1,715)
Office supplies	500	465	465	-
Per diem	4,200	3,975	3,900	75
Professional services	2,500	-	-	-
Salaries	115,282	119,743	119,573	170
Secretary/Treasurer	3,000	3,000	3,000	-
Taxes - payroll	6,400	6,627	6,636	(9)
SIMPLE expense	3,000	3,623	3,623	-
Telephone	2,000	2,725	2,904	(179)
Utilities	4,200	3,087	3,087	-
Capital Outlay:				
Purchases of equipment	15,000	1,196	10,593	(9,397)
Total expenditures	\$ 304,582	\$ 344,983	\$ 348,063	\$ (3,080)
Net change in fund balances	(101,582)	(67,940)	(71,336)	2,764
Beginning of the year	None	None	177,866	
End of the year	None	None	\$ 106,530	

Supplemental Information Schedules

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2004**

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. R.S. 38:1607 authorizes each commissioner to receive compensation of not more than sixty-five dollars per day including all actual expenses, while attending to the business of the district.

<u>Member</u>	<u>Per Diem</u>	<u>No. of Days</u>	<u>Total Per Diem</u>
Eric Matherne	\$ 65	17	\$ 1,105
Troy Sampey	65	4	260
Curtis Matherne	65	9	585
Ronald Dufrene	65	13	845
Dale Estay	65	10	650
Harry Zeller, Jr.	65	7	<u>455</u>
Total			<u>\$ 3,900</u>

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2004**

Ref. No.

0312-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Correction Action Planned

No correction action planned is taken because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Summary Schedule of Prior Year Audit Findings
As of and for the Year Ended December 31, 2004**

Ref. No.

0312-02

Description of Finding:

Local Government Budget Act LSA-RS 39:1301-14 requires that the governing authority to amend its budget when actual expenditures plus projected expenditures for year-end exceed budgeted expenditures by five percent or more. The budget was amended during the fiscal year to comply with this requirement. However, the actual expenditures still exceeded the budgeted expenditures by more than 5%.

Corrective Action Taken:

The District's board did correct the cause for last year's budget to actual deviation.

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2004**

Ref. No.

0412-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Sunset Drainage District's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Correction Action Planned

No correction action planned is taken because of the size of the entity.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The district's office does not employ enough people in its accounting department to segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Report on Compliance and on Internal Control



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**BOARD OF COMMISSIONERS
SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL**
Paradis, Louisiana

We have audited the financial statements of the governmental activities of Sunset Drainage District of St. Charles Parish, as of and for the year ended December 31, 2004, which collectively comprise the Sunset Drainage District's basic financial statements and have issued our report thereon dated April 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

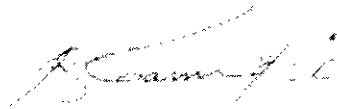
As part of obtaining reasonable assurance about whether the Sunset Drainage District's financial statements are free of material misstatement, we performed tests of its *compliance with certain provisions of laws, regulations, contracts, and grants*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 29, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sunset Drainage District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a single matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying corrective action plan for the current year *audit finding as item 0412-01, page 31*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.



April 29, 2005

Management Letter

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Summary of Prior Year Corrective Action Plan Relative to Management
Letter Items
As of and for the Year Ended December 31, 2004**

Form 941, Employer's Quarterly Federal Tax Return

Recommendation:

In regards to the quarterly payroll tax return, Form 941, Employer's Quarterly Federal Tax Return, Sunset Drainage District is incorrectly calculating the amount of wages that are taxable for social security and medicare.

Corrective Action Taken:

Corrective action not completed.

Per Diems

Recommendation:

In regards to the per diems that are paid to board members, they are incorrectly being reported to the government on Form 1099. The per diems should be considered as paychecks and reported to the government on the Form W-2. Also, amounts should be withheld from the per diems for social security and medicare and should be reported on the Form 941 with the other employees' wages and withholdings.

Corrective Action Taken:

Corrective action not completed.

Payroll Time Sheets

Recommendation:

In regards to payroll time sheets, the salary employee's number of hours worked per day and use of vacation or sick leave should be recorded in the same manner as the hourly employees.

Corrective Action Taken:

Sunset Drainage District has reported the salary employee's number of hours worked per day and use of vacation or sick leave in the same manner as the hourly employees. Corrective action completed.



MANAGEMENT LETTER

April 29, 2005

Management
Sunset Drainage District of St. Charles Parish
Paradis, Louisiana

To the Management:

We have audited the basic financial statements of Sunset Drainage District of St. Charles Parish, Paradis, Louisiana, as of and for the year ended December 31, 2004, and have issued our reports thereon dated April 29.

We noted certain immaterial instances of noncompliance that, in our opinion, do not warrant being reported in our audit reports. However, to assist Management, we communicate these instances in this management letter.

1. In regards to the quarterly payroll tax return, Form 941, Employer's Quarterly Federal Tax Return, Sunset Drainage District is incorrectly calculating the amount of wages that are taxable for social security and medicare. When calculating these amounts, the amount of SIMPLE that was withheld for the quarter needs to be included in the amounts that are taxable for social security and medicare. Therefore, the amount that is taxable for federal income tax (Line 2) will be lower than the amounts that are taxable for social security (Line 6a) and Medicare (Line 7a) by the amount of SIMPLE withheld during the quarter.

If you have any questions, or if we can assist you in any way, please call us at 985-447-8507.

Thank you,

A handwritten signature in cursive script, appearing to read "Timothy S. Kearns".

T.S. Kearns & Co., CPA

**SUNSET DRAINAGE DISTRICT
OF ST. CHARLES PARISH
ST. CHARLES PARISH COUNCIL
Paradis, Louisiana**

**Corrective Action Plan Relative to Management Letter Items
As of and for the Year Ended December 31, 2004**

Form 941, Employer's Quarterly Federal Tax Return

Recommendation:

In regards to the quarterly payroll tax return, Form 941, Employer's Quarterly Federal Tax Return, Sunset Drainage District is incorrectly calculating the amount of wages that are taxable for social security and medicare.

Corrective Action:

Sunset Drainage District will amend the Form 941's for the year and will correctly calculate the wages to report on Form 941's in the future.

Name of Contact Person

L.J. Frickey, Secretary/Treasurer

Anticipated Completion Date

December 31, 2005

Additional Explanation

None